

Representative Scott L Wyatt proposes the following substitute bill:

USE OF DISASTER LOAN FUNDS

2006 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: David Clark

Senate Sponsor: John W. Hickman

LONG TITLE

General Description:

This bill modifies the disaster loan program by changing financial terms.

Highlighted Provisions:

This bill:

- ▶ requires that new promissory notes be issued to refinance any promissory notes issued by the program that are unpaid as of their due date; and
- ▶ requires that the new promissory notes be issued:
 - for the principal balance of the outstanding promissory notes;
 - with a due date two years from the date that the original promissory note was due; and
 - at no interest; and
- ▶ changes the loan program by requiring three-year loans instead of one-year loans.

Monies Appropriated in this Bill:

None

Other Special Clauses:

This bill provides an immediate effective date.

Utah Code Sections Affected:

AMENDS:



26 **53-2-102.5**, as enacted by Chapter 1, Laws of Utah 2005

27
28 *Be it enacted by the Legislature of the state of Utah:*

29 Section 1. Section **53-2-102.5** is amended to read:

30 **53-2-102.5. Loan program for disasters.**

31 (1) The director may make loans to local governments as provided in this section
32 when:

33 (a) the governor has issued a proclamation declaring a state of emergency because of a
34 natural disaster;

35 (b) the Legislature has appropriated monies to the division explicitly for that purpose;
36 and

37 (c) threats to the public health and safety, or damages to flood control systems or the
38 transportation infrastructure exist.

39 (2) (a) In order to qualify for loans under this section, the county and each political
40 subdivision within the county shall:

41 (i) pass a resolution that:

42 (A) requests a loan;

43 (B) identifies the loan amount that is requested; and

44 (C) describes, in as much detail as possible, how the entity will spend the loan
45 proceeds; and

46 (ii) complete the application for funds provided by the director.

47 (b) Each political subdivision other than the county shall submit a copy of its
48 resolution and application to the county legislative body.

49 (c) The county legislative body shall file with the director:

50 (i) a letter identifying the total loan amount sought by the county and its political
51 subdivisions; and

52 (ii) a copy of the county's resolution and application and a copy of the resolution and
53 application of each political subdivision seeking loan funds.

54 (3) (a) To the extent appropriated funds are available, the director shall prepare a
55 promissory note lending the county the total amount requested by the county for itself and its
56 political subdivisions.

(b) The director shall ensure that the promissory note contains:

~~[(i) an annual percentage rate of 2%;]~~

~~[(ii)]~~ (i) a requirement that the principal ~~[and interest]~~ on the note ~~[are]~~ is due on the May 1 in the calendar year three years after the year in which the note is signed;

~~[(iii) terms allowing the county to prepay some or all of the note's principal, interest, or both before the date that the note is due;]~~

~~[(iv)]~~ (ii) terms that require repayment of the principal ~~[and interest]~~ on the note be made to the General Fund Budget Reserve Account established in Section 63-38-2.5; and

~~[(v)]~~ (iii) terms that limit the use of note proceeds to the repair and reconstruction of infrastructures owned by local governments located within the county.

(c) After an authorized representative of the county signs the promissory note, the director shall disburse the loan funds to the county.

(4) The county and any participating political subdivision may not use loan proceeds for costs:

(a) that could have been paid from other available funding sources if the county or participating political subdivision had applied for those funds; or

(b) to compensate private businesses or private persons for damages incurred in the disaster by those private businesses or persons.

(5) After receiving the loan proceeds from the state, the county shall, before disbursing loan proceeds to the other county political subdivisions, obtain signed promissory notes from each participating political subdivision that include terms substantially similar to the terms contained in the promissory note signed by the county.

(6) The county shall, on behalf of itself and any participating political subdivision, file a report with the director every three months, that:

(a) specifies each project on which loan funds were expended, classified by the name of the local entity that expended the funds; and

(b) identifies the amount expended for that project.

(7) If the county or one of its participating political subdivisions has not expended or committed the funds by the date that the promissory note is due, the county or participating political subdivision shall return the unused or uncommitted funds to the director for redeposit into the fund.

88 (8) For each promissory note issued under this section that is unpaid on May 1, 2006,
89 the director shall issue a new promissory note to replace the existing promissory note:

90 (a) for the principal amount of the unpaid promissory note without accrued interest, if
91 any;

92 (b) due two years from the date that the unpaid promissory note matured; and

93 (c) with no interest rate.

94 Section 2. **Effective date.**

95 If approved by two-thirds of all the members elected to each house, this bill takes effect
96 upon approval by the governor, or the day following the constitutional time limit of Utah
97 Constitution Article VII, Section 8, without the governor's signature, or in the case of a veto,
98 the date of veto override.